

IN RE: Annual Review of Purchased Gas) ORDER ADOPTING
Adjustment and Gas Purchasing Policies of) SETTLEMENT
South Carolina Electric & Gas Company)

As the natural gas utility under review, SCE&G was automatically made a party to the proceeding. By letter dated June 4, 2013, the Commission instructed the Company to publish the Notice of Hearing in a newspaper of general circulation in the affected areas advising all interested parties of the manner and time in which to file pleadings to obtain the right to participate in this proceeding. The Commission further instructed SCE&G to provide notification of the PGA review to each affected customer via U.S. Mail, or by electronic mail to those customers who have agreed to receive notices by

electronic mail, on or before September 4, 2013, and to provide certification on or before September 24, 2013. The Company timely filed Affidavits and Proofs of Publication to confirm its compliance with the Commission's instructions on August 20, 2013.

The South Carolina Office of Regulatory Staff ("ORS") is a party in this matter pursuant to S.C. Code Ann. § 58-4-10 (Supp. 2012). No other parties sought to intervene in this proceeding.

By letter dated June 4, 2013, the Commission's Clerk's Office issued scheduling directions to all parties establishing the dates for the parties to pre-file testimony and exhibits in this case.

On September 27, 2013, SCE&G pre-filed the direct testimony of witnesses D. Russell Harris, M. Shaun Randall, J. Darrin Kahl, and Rachel M. Robinson. On October 11, 2013, ORS pre-filed the direct testimony of witnesses John O. Powers and Thomas H. Allen.

On October 31, 2013, ORS and SCE&G (the "Settling Parties") filed a comprehensive Settlement Agreement ("Settlement Agreement") wherein they stipulated to a resolution of all issues in the proceeding.

The Commission conducted a formal hearing in this matter on November 7, 2013, beginning at 10:30 a.m. in the hearing room of the Commission, with the Honorable G. O'Neal Hamilton presiding. K. Chad Burgess, Esquire, and Matthew W. Gissendanner, Esquire, represented the Company. Jeffrey M. Nelson, Esquire, represented ORS.

At the opening of the hearing, Mr. Nelson moved the Settlement Agreement into the evidence of record. The Settlement Agreement is identified as Order Exhibit No. 1.

In support of its PGA and Gas Purchasing Policies and the Settlement Agreement and as stipulated in the Settlement Agreement, SCE&G presented direct testimony from D. Russell Harris, M. Shaun Randall, J. Darrin Kahl, and Rachel M. Robinson. ORS presented direct testimony from John O. Powers and Thomas H. Allen. Consistent with the terms of the Settlement Agreement, the witnesses who pre-filed direct testimony in this proceeding and orally presented such testimony before the Commission were subject to questioning by the Commissioners, and not by any party.

The Commission has considered the testimony and the exhibits of the witnesses and the other evidence of record in this proceeding including the Settlement Agreement. Based on the evidence of record, the Commission concludes, as the Parties have stipulated, that adoption of the Settlement Agreement is in the best interest of SCE&G's customers, the State of South Carolina, and the financial integrity of the Company.

In making this finding, the Commission specifically finds that, during the Review Period, SCE&G (a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910; (b) employed prudent gas purchasing practices and policies; (c) recovered its gas costs consistent with applicable tariffs and Commission orders and administered the PGA in a prudent and reasonable manner; (d) conducted and administered its hedging program consistent with the authorization granted in Order No. 2006-679 and as modified in Order No. 2008-546 and 2012-39; and (e) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans.

The Commission further finds that the monthly adjustment procedure and notification procedure for total cost of gas factors as adopted in Commission Docket No. 2006-5-G, Order No. 2006-679, as modified in Docket No. 2009-5-G, Order No. 2009-910, should be maintained. The Settling Parties have agreed, and we find it appropriate, that the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. SCE&G agrees to use the 50-50 allocation of peak design day demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors. We further find the allocation factor for Residential of 66.41%, Small General Service/Medium General Service of 30.79%, and Large General Service of 2.80%, as set forth on page 5 of Ms. Robinson's pre-filed direct testimony, to be appropriate for use in the cost of gas calculations beginning with the first billing cycle of January 2014.

We accept the use of the cost of gas calculations for the period August 1, 2012, through July 31, 2013, as set forth in Settlement Exhibit No. 1, which is attached hereto as Order Exhibit No. 1.

The Commission further approves the authority of SCE&G to continue to charge and recover carrying costs, if applicable, on the cumulative total under-collection balance using the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679, for the same reasons set forth in that Order.

Pursuant to that Order and in the event of an over-collection balance, carrying costs shall be credited to customers.

The Commission also finds that the Company conducted its hedging program during the Review Period prudently and consistent with the approvals granted in Commission Order Nos. 2006-679 and 2007-595, as modified by Order Nos. 2008-546 and 2012-39. We further find that the Company last acquired a financial hedging position on January 10, 2012, and that all of SCE&G's outstanding hedge positions expired by December 31, 2012. As such, the Commission finds that SCE&G operated and concluded its hedging program in compliance with the provisions of Commission Order No. 2012-39.

Based on the testimony and exhibits and the Settlement Agreement entered into the record of this proceeding, the Commission finds that the Company's gas purchasing policies and practices during the Review Period were reasonable and prudent. The Commission further finds that all matters contained in the Settlement Agreement are appropriate for adoption in this proceeding and therefore finds that the Settlement Agreement is in the public interest and is a reasonable resolution of all issues in this case.

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The Settlement Agreement, which was stipulated to by the Settling Parties and accepted into the record without objection, is incorporated into and made a part of this Order as Order Exhibit No. 1. Further, the Settlement Agreement constitutes a reasonable resolution to this proceeding and is hereby adopted as such.

2. During the Review Period, SCE&G properly administered the purchased gas adjustment. SCE&G also correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order Nos. 2006-679 and 2009-910, which factors are hereby approved.

3. SCE&G's gas purchasing policies and practices during the Review Period were within the guidelines established in prior Commission orders and were reasonable and prudent.

4. The appropriate cost of gas calculations for the Review Period are set forth in Order Exhibit No. 1.

5. The demand charges included in the total cost of gas factors should continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales.

6. The monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Order No. 2006-679, as amended by Order 2009-910, shall be maintained.

7. The allocation factors contained on page 5 of Ms. Robinson's pre-filed direct testimony are appropriate and should be used for cost of gas calculations beginning with the first billing cycle of January 2014.

8. SCE&G shall continue to charge and recover carrying costs, if applicable, on the cumulative total over/under collection balances in the same method and with the same

limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679.

In the event of an over-collection balance, carrying costs shall be credited to customers.

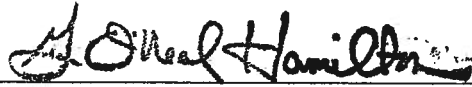
9. SCE&G conducted its hedging program during the Review Period prudently and consistent with the approvals granted in Docket No. 2006-5-G, Order No. 2006-679, and modified by Order Nos. 2008-546 and 2012-39.

10. SCE&G concluded its hedging program consistent with the provisions of Order No. 2012-39. Because all of SCE&G's existing hedges have expired, SCE&G shall not be required to submit reports on the hedging program to the Commission or ORS unless and until the Commission orders otherwise.

11. The actual balance in the Company's unbilled gas cost adjustment account shall continue to be applied to the PGA over/under collection calculation, and the Company shall consider this unbilled gas cost adjustment account in all future PGA calculations. Future monthly adjustments shall continue to be applied to the demand component of the cost of gas factor.

12. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



Nikiya Hall, Vice Chairman

(SEAL)

BEFORE

IN RE: Annual Review of Purchased Gas)
Adjustment and Gas Purchasing Policies of) **SETTLEMENT**
South Carolina Electric & Gas Company) **AGREEMENT**
)

This Settlement Agreement (“Settlement Agreement”) is made by and between the South Carolina Office of Regulatory Staff (“ORS”) and South Carolina Electric & Gas Company (“SCE&G” or “Company”) (collectively referred to as the “Parties” or sometimes individually as “Party”);

WHEREAS, on June 4, 2013, the Public Service Commission of South Carolina (“Commission”) issued the notice of hearing for the 2013 Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies (“PGA”) of SCE&G;

WHEREAS, the purpose of this proceeding is to review matters related to SCE&G's gas purchasing practices and policies, administration of its purchased gas adjustment, and the recovery of its gas costs;

WHEREAS, the period under review in this docket is August 1, 2012 to July 31, 2013 (“Review Period”);

WHEREAS, ORS examined the books and records of SCE&G and conducted inquiries and analyses related to the Company's gas purchasing practices and policies, administration of its purchased gas adjustment, and the recovery of its gas costs for the Review Period;

WHEREAS, ORS determined that during the Review Period, SCE&G: a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910; b) employed prudent gas purchasing practices and policies; c) recovered its gas costs consistent with applicable tariffs and Commission orders; d) conducted and administered its hedging program in a manner consistent with the authorization granted in Order No. 2006-679, as modified in Orders No. 2008-546 and 2012-39; and e) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans;

WHEREFORE, the Parties have engaged in discussions and in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1. The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties further agree to stipulate into the record without cross-examination the pre-filed direct testimony and exhibits of J. Darrin Kahl, Rachel M. Robinson, and John O. Powers, and the pre-filed direct testimony of D. Russell Harris, M. Shaun Randall and Thomas H. Allen. Furthermore, each witness will take the stand to present his or her testimony and, if necessary, make non-material changes to their testimony comparable to those that would be presented via an errata sheet or through a witness noting a correction. With respect to this Settlement Agreement, Company Witnesses D. Russell Harris is the witness designated to be primarily responsible for providing support for the Settlement Agreement at the hearing scheduled in this case.

2. For the purpose of setting the gas cost recovery factors, the Parties accept the use of the cost of gas calculations for the period August 1, 2012 through July 31, 2013 set forth in Settlement Exhibit No. 1 attached hereto (Exhibit RMR-1).

3. The Parties agree to maintain the monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Commission Order No. 2006-679 and amended by Commission Order No. 2009-910.

4. The Parties acknowledge the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Order No. 2006-679 in Docket No. 2006-5-G by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. SCE&G agrees to use the 50-50 allocation of peak design day demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors under this Settlement Agreement. The Parties agree that the allocation factors contained on page 5 in Ms. Robinson's pre-filed direct testimony (Residential 66.41%; Small General Service/Medium General Service 30.79%; and Large General Service 2.80%) are appropriate and should be used for the cost of gas calculations beginning with the first billing cycle of January 2014.

5. As part of this Settlement Agreement, the Parties agree that SCE&G shall continue to charge and recover carrying costs, if applicable, on the cumulative total over- or under-collection balances in the same method and with the same limitations as set forth in Commission Order No. 2006-679 in Docket No. 2006-5-G.

6. The Parties agree that the hedging program and methodologies approved by Commission Order No. 2006-679 in Docket No. 2006-5-G for the Company's natural gas

supplies were conducted and administered during the Review Period in a manner consistent with Order No. 2006-679, as modified by Order No. 2008-546 and Order No. 2012-39.

7. The Parties agree that SCE&G's hedging program was operated and concluded in compliance with the provisions of Commission Order No. 2012-39 in that the last financial hedging positions the Company acquired were on January 10, 2012, and the last of SCE&G's outstanding hedge positions expired by December 31, 2012.

8. Because all of SCE&G's existing hedges have expired, the Parties agree that SCE&G shall not be required to submit reports on the hedging program to the Commission or ORS unless and until the Commission orders otherwise.

9. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B). S.C. Code Ann. § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes this Settlement Agreement reached among the Parties serves the public interest as defined above.

10. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission.

The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

11. The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair, or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

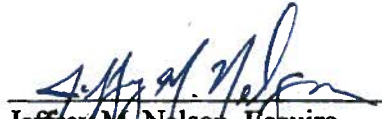
12. This Settlement Agreement shall be interpreted according to South Carolina law.

13. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

[SIGNATURES ON THE FOLLOWING PAGES]

WE AGREE:

Representing the South Carolina Office of Regulatory Staff



Jeffrey M. Nelson, Esquire
South Carolina Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
Phone: (803) 737-0823
Fax: (803) 737-0895
Email: jnelson@regstaff.sc.gov

WE AGREE:

Representing South Carolina Electric & Gas Company

A handwritten signature in blue ink, appearing to read "K. Chad Burgess", is written over a horizontal line.

K. Chad Burgess, Esquire

Matthew W. Gissendanner, Esquire

South Carolina Electric & Gas Company

Mail Code C222

220 Operation Way

Cayce, South Carolina 29033-3701

Phone: (803) 217-8141

Fax: (803) 217-7810

Email: chad.burgess@scana.com

matthew.gissendanner@scana.com